DOCUMENT RESUME

ED 306 832 HE 022 494

AUTHOR Johnson, Edward
TITLE Statutory and Regulatory Barriers to Greater Efficiencies in the Arizona University System.
INSTITUTION Arizona Board of Regents, Phoenix.
PUB DATE Nov 88
NOTE 14p.; In "The Arizona Board of Regents' Task Force on Excellence, Efficiency and Competitiveness. Final Report and Working Papers." Volume Two. For Volumes One and Two, see HE 022 446-447. For individual working papers, see HE 022 448-480 and HE 022 482-501.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Administrative Policy; Competition; Educational Quality; *Efficiency; Excellence in Education; Higher Education; Laws; *Legal Responsibility; Public Colleges; *State Standards; *State Universities
IDENTIFIERS *Arizona; Arizona State University; Arizona Task Force on Excellence Efficiency Compet; Northern Arizona University; University of Arizona

ABSTRACT

One of the working papers in the final report of the Arizona Board of Regents' Task Force on Excellence, Efficiency and Competitiveness, this document organizes the responses of Arizona's universities to questions on statutory and regulatory barriers to greater efficiency. Each statute, regulation, or policy is noted with commentary and recommendations, where offered. A collective agenda for review and possible action by the Board of Regents is provided. Areas considered are as follows: academic policies (e.g., enrollment and admission requirements); business and finance (e.g., workers compensation, university risk management coverage, purchase of insurance, sales and use tax, abandoned property, capitalization threshold, procurement procedures, public finance, and vacancy savings); fees, residency, and financial aid (e.g., the Higher Education Amendments of 1986, the Tax Reform Act of 1986, federal regulations affecting students, classification of persons for tuition purposes, registration fee waivers, and academic scholarships); personnel policies (e.g., group health and accident coverage for retired public employees, membership in the retirement system, withholding tax, classification administration policy, sick leave, and rules for licensure); buildings and land (e.g., building construction and repair and administrative rules and submission of building plans); and research. (SM)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
This document has been reproduced as received from the person or organization originating it.
Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

STATUTORY AND REGULATORY BARRIERS TO GREATER EFFICIENCIES IN THE ARIZONA UNIVERSITY SYSTEM

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
AZ BOARD OF REGENTS

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

EDWARD JOHNSON

ED306832

INTRODUCTION

In the spring of 1988, the Task Force staff requested that the Arizona universities submit reports outlining statutory and regulatory barriers to greater efficiency. This paper organizes their responses in narrative form under generic categories utilized by the Arizona Board of Regents Policy Manual. Each statute, regulation or policy is noted with commentary and recommendations, where offered. THE VIEWS EXPRESSED IN THIS PAPER ARE THOSE OF INDIVIDUAL INSTITUTIONS AND HAVE NOT BEEN REVIEWED OR ENDORSED BY THE TASK FORCE, THE UNIVERSITIES OR THE BOARD. The purpose of the paper is to provide a collective agenda for review and possible action by the Board of Regents.

ACADEMIC POLICIES

Board Policy Manual, Sections 2-101,102: Establishment of Admission Requirements/Uniform Undergraduate Admission Requirements

Historically, admission policies at the three universities have been statewide and uniform. Recently, some variance among institutions has been approved and continues to be under consideration.

A strong bias toward uniformity exists, which does not allow the universities to set and administer admission policies which are best suited to the goals and characteristics of their unique student bodies and institutional missions. The extensive review which must take place to effect institutional change in this area, therefore, reduces the ability to react quickly and progressively with programs that are targeted toward a given university's student population.

It has been suggested that the universities be allowed to set and administer admission policies independent of each other, based upon their institutional mission, future goals, and projected student population.

Board Policy Manual, Section 2-103 (A): Enrollment

Board policy states that non-resident head count enrollments in each university will not exceed 25% of the total head count enrollment.

Dr. Edward Johnson, higher education administrator and attorney, is a staff member of the Arizona Board of Regents. He previously served as Director of Law, Science and Technology Programs at Arizona State University. His other administrative positions have included institutional development programs at public and private institutions. He served as Assistant to the Executive Director as Staff Counsel for the Task Force on Excellence, Efficiency and Competitiveness.

HE 022 494

BEST COPY AVAILABLE

Arizona is only one of five states that has imposed a ceiling on the number of out-of-state students who can attend their public universities. It is important that each university admit the best qualified students. This is particularly true in graduate education as the State of Arizona does not yet have a sufficient population base from which to recruit qualified graduate students in the full spectrum of graduate programs. It is important to note that students usually establish their permanent residence where they complete their highest degree. Thus if the state universities recruit the very best graduate students, they will likely be retained as Arizona taxpayers and productive members of the skilled work force contributing to the state's economic development.

One university recommends that the Board apply the 25% ceiling on out-of-state enrollment to undergraduate enrollment only.

Board Policy Manual, Section 2-103(C): Enrollment

The policies for determining full-time equivalent (FTE) enrollments are so detailed that the amount of time expended to comply with these policies is counter- productive. Many exceptions must be made. However, the adjustments that are made result in a very small net change in the number reported; thus a largely accurate report could be provided with a minimal amount of effort. To prepare the FTE enrollment report now requires about 550 hours of regular time and 100 hours of overtime on the part of the Registrar's staff each semester. In addition to this, three Board of Regents' auditors work nearly two months in performing the audit. For example, according to UA, in the past ten years the difference between the UA's reported FTE enrollment and the final audited FTE enrollment has averaged 22.3 students.

The institution's official FTE enrollment should be its enrollment on the census date after being adjusted based on average recent historical data. The Regents' audit staff should perform an audit only periodically rather than every year.

BUSINESS AND FINANCE

ARS Chapter 23-901 et seq.: Workers Compensation

Arizona is one of the few states that handles claims rather than through a third party. The system is neither responsive nor effective: the system should be changed to rely on a third party to manage claims.

ARS 41-621 et seq.: University Risk Management Coverage

The Department of Administration and, in particular, the Tort Liability Defense Section are currently interpreting ARS 41-621 et seq. to prohibit state insurance coverage of any person or body which is not a part of state government. This is contrary to long-standing interpretation and practice. It has the effect of making it very expensive or impossible for a university to enter into a vast array of normal (and otherwise legal) leases, lease/purchase agreements and third party beneficiary transactions. In addition, there has been some difficulty obtaining cooperation and cost sharing where a lawsuit is filed that alleges grounds for relief that would normally be defended by state risk management and grounds that would normally be defended by university legal counsel.

It is recommended that the Department return to long-standing interpretation and practice as it relates to this law.

ARS Section 41-621(A)(3): Purchase of Insurance

The statute provides for insurance coverage of state departments, agencies, boards, commissions, officers, agents and employees. The State Risk Management policy document "Who is Covered" denies coverage for student organizations that are not part of the educational curriculum.

The universities contend that all properly authorized clubs and organizations are part of the overall educational experience of students. Small clubs cannot purchase their own insurance as it is unavailable or prohibitively expensive. It would appear that a value judgement is being made as to the educational significance of certain activities. This causes great concern for clubs, faculty advisors and University Risk Management who must determine if a club's activities can be authorized and adequately covered by insurance.

Properly authorized and supervised club and organizational activities should be covered as agents of the state, provided they are engaged in activities within the scope of their function. Criteria could be established to define which activities (i.e., alcohol, certain personal injuries) are specifically excluded.

ARS Section 41-622(C): Revolving Funds for Self Insurance Losses and Administrative Costs

The statute provides for insurance coverage for property theft where there is unforced entry, provided there is a reasonable presumption of theft. The Department of Administration Risk Management Section has set an internal policy to deny all such claims, which indicates that theft cannot be assumed even when all evidence supports such a presumption.

University departments are charged for their portion of the university's insurance premium to the state. When thefts occur without forced entry and coverage is denied to replace the item, then funds which are needed for other purposes must be diverted to replace the stolen item.

The universities recommend that the current policy be revoked and the law be enforced as it is written. When an unforced entry theft occurs, it should be evaluated to determine if a "reasonable presumption of theft" can be made. If so, property claims in this category should be paid.

ARS 42-1301 (Chapter 8, Articles 2, 14): Sales and Use Tax

The charging of a use tax on the acquisition of scientific equipment for projects sponsored by federal grants and contracts from out-of-state vendors has been a time-consuming task. In January, 1979, the Arizona Department of Revenue directed all state agencies to begin payment of use tax. In April, 1983, SB 1107 voided the use charge for the calendar year 1982. The use tax charge mechanism remained in effect without resolution as to the final outcome of use tax liability after 1982. Presently a use tax is being charged and remitted to the state.

It is suggested that the legislature repeal ARS 42-1301 since the title for equipment acquisitions from federal

contracts passes to the federal government, which is not subject to sales or use tax, based on an exemption provided under statute. Since the state benefits from both the research conducted and the acquisition of highly specialized scientific equipment, it seems inappropriate for the state to levy a use tax.

Abandoned Property

In recent audits, the Arizona Department of Revenue found that the universities were not complying with a state law that requires remittance of uncashed university checks to the Department after seven years. Annual revenue to the Department would be approximately $30,000 from the three universities. The administrative requirements are onerous. Uncashed checks must be accompanied by a list with payee's name, Social Security number, and last know address.

The universities have been depositing these checks into general university funds to benefit public purposes. The universities are ready to remit funds to anyone who proves that he or she is the rightful owner.

The policy should be changed so that it is consistent with current university practice.

Capitalization Threshold

The Arizona Department of Administration sets $300 as the limit for capitalization and control over moveable equipment. Federal requirements set the limit at $500 for indirect cost recovery through grants and contracts. The federal limit may even be increased.

The current state limit should be increased, and periodic adjustments instituted to tie it to federal regulations. This would promote efficient university operations.

Board Policy Manual, Section 3-203(B): Research Contracts and Public Service Agreements

New contracts in excess of $400,000 and continuation of existing contracts in excess of $600,000 must be brought before the Board for approval.

The universities believe they are unable in some cases to execute certain contracts because of lengthy delays in waiting for Board approval. The long lead time required for contract items to be put on the Board agenda, plus the fact that the Board meets only 10 times per year, is a handicap. Often, the Principal Investigator is not aware of the award in sufficient time to meet the agenda deadline. Any delay is upsetting to Principal Investigators and others to be employed on the project, because the Principal Investigator usually gears himself/herself to start when the sponsor issues the award.

It is recommended that university contracting offices have the authority to sign all contracts, as well as intergovernmental agreements and awards with foreign involvement. Information concerning the awards would be submitted for ratification at the next Board meeting. If the Board does not ratify a particular contract, then the university could negotiate with the sponsor and resolve the problem.

Board Policy Manual, Sections 3-801-809: Procurement Procedures

Current board policies dealing with procurement policies have no provisions for taking advantage of pricing discounts

that result from payment received in a short period of time (e.g., 4% discount/10 days, net/30 days). Additionally, it is difficult to meet critical deadlines for ordering to take advantage of special pricing due to the approval process for purchasing. The number of approval signatures required and the administrative level of those signatures prohibit timely processing of requisitions.

It is recommended that such a provision be added to the current procurement procedures.

Board Policy Manual, Section 3-402: State Operating Budget Transfer Policy; ARS 35-173; Annual Appropriations Bill SB 1209, Chapter 334, Laws of 1987; JLBC Appropriations Report for FY 1988

A university may transfer from one line item to another line item or from one program to another program in the operating budget, and report such transfers to the Board at the end of each quarter. Board policy further states that no transfer to personal services or employee-related expenditure categories shall be made without prior approval of the Board.

The JLBC Appropriations Report specifies FTE position and Personal Services dollars in detail by program. ARS 35-173 sets conditions of transfers among the expense categories for state agencies. The universities are specifically exempted. Board policy 3-402 is in the "spirit" of ARS 35-173, which is for other agencies, whereas the board approves budget transfers (between lines/program-post; to personal services, ERE-pre). The SB 1209 appropriations bill does not specify the number of FTE positions whereas the JLBC appropriation report does. The actual FTE positions used by the university is reported annually as a part of the legislative request. Allotment processes and claims on appropriated dollars to the State Accounting Office do not include data on FTE positions. To date the at least one university states that it has never exceeded the FTE position limitations as displayed in the JLBC Appropriations Report.

The combination of both an FTE position and Personal Services dollar limit, greatly reduces the institution's flexibility to address its dynamic environment. The restrictive combination of FTE positions and dollars causes further restrictions where positions may be available within one class while dollars are available within another.

It has been recommended that the FTE position restrictions be lifted from the universities to allow management to effectively address its needs. Annual actual FTE position usage reports would allow for Board management information needs.

ARS 35-141, et seq.: Public Finance

Currently, all funds pertaining to state accounts are maintained in Phoenix. This includes funds appropriated as well as related revenues that each university pays into the state treasury. Since payroll is issued by warrant against the state bank accounts, the claiming procedures for payroll are efficient, i.e., documents are prepared that move funds at the state level to the payroll clearing accounts. However, non-personnel related expenditures are first paid out of local funds. This is to insure prompt and reasonable payment to local vendors, but then necessitates a claiming process from the state to replenish university local accounts by

state warrants. This entire process requires, in addition to normal document and check issuing procedures, a separate daily process of accumulating required information, preparation of state forms, submission to the state general accounting office for their eventual processing, recording of expense and issuance of warrants to be returned to each university for deposit. The current process is time consuming and counterproductive since it is duplicative. It also results in foregone interest income since each university uses local funds to provide a cash float for the state while awaiting reimbursement, normally about five days.

It is suggested that state appropriated funds should be allocated on a monthly or quarterly basis and transferred directly to university bank accounts. This change would bring the universities into a state allocation basis consistent with allocations for secondary schools and community colleges.

ARS 35-174: Vacancy Savings

A "vacancy saving" is defined in the statute as any monies saved or generated in personal services and employee related expenditures by:

(1) Not filling a position which has become vacant by termination of an employee;

(2) Not filling a newly authorized position;

(3) Filling an authorized position at a grade or step lower than is authorized by the legislature;

(4) A downward reclassification of an authorized position.

The statute states that a vacancy saving shall not be expended by the budget unit, except upon approval of the director of the Department of Administration, for any of the following purposes:

(1) Awarding merit increases to state employees;

(2) Funding reclassified positions;

(3) Creating new positions that exceed the total number of full-time equivalent positions as approved by the Joint Appropriations Committees and reported annually in the appropriations report.

An unexpended vacancy saving shall revert to the fund from which appropriated except as provided in ARS 15-1661(C). The reversion shall occur at the end of each fiscal year.

ARS 15-1661 provides that, for education, savings are not reverted to the fund from which appropriated but placed in the fund carry forward to the next fiscal year. In practice the "vacancy savings" for the universities is reflected in the appropriation as a negative 1% adjustment to the salary base (e.g., the "expected savings" are not appropriated).
The ability to adjust at the margin the Personal Services/ERE allocations by position type is central to each university's ability to adjust its resources within its dynamically changing environment. The budgetary constraints of adjusting the Personal Services base by the negative 1% effectively overrides the intent of ARS 35-1874 and ARS 15-1661 and arbitrarily limits the flexibility of the universities.

It is recommended that the legislature repeal ARS 35-174 to allow the needed flexibility.

Board Policy Manual, Section 3-803(D): Procurement Procedures

Current Board policy provides for procurement without sealed bids for purchases under $10,000.

This limit is unrealistic and additionally lacks an inflation clause so that the amount can be adjusted as inflation decreases the purchasing value of the dollar.

It is recommended that the legislature raise the limit which requires sealed bids from $10,000 to $50,000. It is also recommended that discretion should be given to the universities in the selection of firms when acceptance of a low bid is inappropriate due to the unacceptable quality of previous work.

Board Policy Manual, Section 3-804(B): Procurement Practices

This section of the Board procurement practices limits the construction work that may be done by in-house employees to a value of $10,000.

Many renovation projects which are within the scope and expertise of the Physical Resources Department are unnecessarily delayed.

It is recommended that the force account work limit be raised from $10,000 to $50,000.

Board Policy Manual, Section 3-810(C): Procurement Practices

Board policy on small business procurement requires an annual report. In order to generate the report, records must be kept of procurement made from "small businesses." All that is required is good faith effort by the universities. The report is not required to be submitted to the Board.

A certification from the procurement officer to the Board that the University is making a good faith effort to comply with the policy should be all that is required. The report serves no management information purposes and seems to serve no other function.

FEES, RESIDENCY AND FINANCIAL AID

The Higher Education Amendments of 1986 (Public Law 99-498) and the Higher Education Technical Amendments Act of 1987 (Public Law 100-50)

These statutes made major changes in the student aid programs for calculating financial need.

Sweeping changes to need analysis require programming of computer systems to calculate financial need efficiently and accurately, as required by law. The delays in such programming can result in lessened ability to recruit students and make early awards. These changes may also affect aid availability for independent students, reduce aid amounts for single parents, and will, in the short run, create unnecessary confusion and concern among students.

The Board should encourage federal law makers and Department of Education officials to prepare changes and notify schools in a timely manner so that necessary data processing modifications can be made.

Tax Reform Act of 1986

Current tax law requires that students receiving stipends or tuition reductions for services pay income tax on the amount of the stipend and/or reduction, even if the service was a degree requirement.

Taxing the stipends and tuition waivers of graduate assistants has a serious negative impact on graduate education. Because the stipends are relatively low and non-competitive, graduate study at the universities has become even more economically difficult if not impossible for many outstanding students. The reduction in the number of exceptional individuals in graduate school comes at a time when the state and nation are in dire need of highly trained manpower.

It is recommended that the Board and the State of Arizona communicate their support for technical corrections to the Tax Reform Act of 1986 that will terminate the tax liability of stipends for services and tuition reductions.

Federal Regulations Affecting F-1 Students

With the passing of new regulations affecting students with the F-1 visa classification, new quasi-governmental responsibilities have been placed on school officials, primarily the international student advisor. These responsibilities consume excessive amounts of time, thus preventing staff from giving full attention to the many educational needs of international students. While this policy would be difficult to change, it places severe pressure on the international student office.

Board Policy Manual, Section 4-101: Tuition and Fees

This policy identifies the Board's authority to set tuition and fees. Each year a schedule is authorized by the Board. The large jump in fees between 6 and 7 credits has been noticed by all graduate students. The net result is that registration for more than six credits is rare. Thus, graduate students are typically under-registered for the amount of effort required by the faculty. The FTE count is negatively affected and the number of full-time graduate students under-reported.

It is recommended that the Board scale the per unit cost so that discontinuity does not exist. This would result in an increase in the total number of graduate credit hours and more accurately reflect the actual instructional workload.

Board Policy Manual, Sections 4-101,104: Tuition and Fees

The plan for setting tuition requires an extraordinary amount of staff time. Because of the need to redefine the adequacy of financial aid as a part of the tuition-setting process, staff resources are repeatedly used to derive the same conclusions:

1) There is inadequate grant funding available and the loan burden has become a disincentive for many students.

2) If debt limits are not a concern, there is adequate aid for in-state, single, undergraduate students.

3) Single parents and non-residents will suffer the greatest impact from tuition and fee increases.

Staff resources could be available for other services.

The following changes were recommended to improve management and flexibility:

1) Determine tuition and fees in accordance with the presidents' plan, but without regard to evaluating financial aid.

2) Conduct a separate review of predefined financial aid reports to determine trends in aid on the campus. This would mean that student aid would be viewed as a separate but related issue and judgement on the adequacy of aid would be based on an assessment of data against a predetermined standard.

3) Act/decide on financial aid separately from tuition-setting by creating/funding new aid programs or expanding existing programs.

Board Policy Manual, Sections 4-201-205: Classification of Persons for Tuition Purposes.

Two recent amendments to the parameters for determining tuition status have caused considerable difficulty for Residency Classification Offices in their application. One came in 1985 when state law was amended to allow for the granting of in-state tuition status to "any student who is an employee of an employer which transferred him to this state for employment purposes or who is the spouse of such an employee." The other was enacted in November, 1986 when the Board Policy Manual, Section 4-203, was amended to state that "an alien shall be classified as an in-state student if the alien can establish that on or before the last day of registration the alien: meets other residency criteria" and does "not hold a visa that prohibits establishing domicile in this state."

Each of these guidelines is difficult to apply due to their lack of specificity. The allowance for persons who have been transferred by their employers to Arizona presumably was intended to apply to persons whose employers have required that they be willing to transfer to Arizona in order to maintain job security and advancement. However, many students who worked for an employer outside of Arizona and will continue to work for the same employer in Arizona while attending the university seek in-state status under this provision. This includes students who may have worked for a restaurant chain while in high school and will work for the same chain while attending the university on a full-time basis.

Board Policy Manual, Section 4-301(D): Registration Fee Waivers

Under this policy, the universities are required to adjust a student's need based on other aid received. In the past this section has been interpreted by the Board and its staff as requiring the universities to continually carry out such reviews.

While it appears that there is now an understanding clarifying this policy to require initial reviews rather than continual reviews, the policy might be formally revised to conform to the understanding which reflects current university practices.

Board Policy Manual, Section 4-301: Registration Fee Waivers

Present federal guidelines for financial aid preclude many re-entry students - those over 25 years of age who have had an interruption in their education - from being eligible. Specifically, the criteria for Pell Grants and/or loans does not allow re-entry students to quit their jobs and return immediately to college because the adult student's previous year's income is usually too high to meet current guidelines. In reality, the loss of income to go to school necessitates some financial assistance for those students, particularly since many of them have dependents and other expanses. Consequently, a more liberal policy regarding the financial aid criteria should be adopted, considering the economic realities of non-traditional adult students. Students should not be punished for trying to make an adult living wage.

Board Policy Manual, Section 4-301(D): Academic Scholarships

Under this policy, the universities are required to award no less than 50% plus a given number of all undergraduate fee waivers on the basis of financial need.

University attempts to recruit and retain certain target populations such as minority, re-entry and academically gifted students are often in conflict with these need-based regulations.

Each university could receive approval or report periodically on the use of the waivers in lieu of the policy.

PERSONNEL POLICIES
ARS 38-651.01(A): Group Health and Accident Coverage for Retired Public Employees

The Department of Administration is authorized to, by rule, adopt standards to establish group health and accident coverage for former state employees who are retirees and receiving either income from a retirement program of this state or long-term disability income insurance benefits pursuant to ARS 38-651.03 and their dependents, and to establish eligibility for retired employees to participate in such coverage. The Department of Administration may promulgate rules which provide that if an insured retiree dies before an insured surviving spouse, the surviving spouse is entitled to extended coverage at group rates if the surviving spouse is receiving a retirement benefit check from the state and is otherwise eligible to participate in the plan. Such standards may provide that all or any portion of such former employees or their dependents may be grouped with officers and employees of the state, its departments and agencies or their dependents as necessary to obtain health and accident coverage at favorable rates. In addition, ARS 38-651.01(G) provides that no public funds shall be expended to pay all or any part of the premium of such insurance pursuant to this section.

Even though retirees are eligible to participate in a university group plan, the rising costs of even these health insurance premiums are causing undue hardships for university retirees. Spiraling health insurance costs are a deterrent to employees choosing early retirement.

It is recommended that ARS 38-651.01(G) be changed to incorporate some form of subsidy for health insurance, in whole or in part, for retirees.

ARS 38-651: Expenditure of Funds for Health, Accident and Disability Insurance

This legislation gives the Department of Administration the sole right to procure and control health, accident and disability insurance coverage for state employees. It restricts the universities from negotiating for and procuring their own insurance programs which are more suitable to their needs and are more cost effective to their institution and employees. The universities cannot practice cost containment or shift programs to provide better, less costly benefits.

It is recommended that the statute be amended to allow the state universities to procure and administer their own programs independent of the state and the Department of Administration.

ARS 38-745: Membership in Retirement System

The statute mandates compulsory participation in the retirement plan and excludes classified staff participation in the optional programs accorded employees under the conditions of faculty, administrative and professional service.

If participation in the retirement plan remains compulsory, eligibility for the optional program as defined in statute should be expanded to include classified staff.

State law also requires that all employees who work 50% time or more for three (3) months participate in a retirement plan. This is incomsistent with the eligibility requirement for other benefits which is 5
0% time or more for six (6) months or longer.

This requirement should be changed to make eligibility consistent across programs. The change would make it easier for the universities to recruit short term employees and temporary staff, many of whom have no intention of vesting in the retirement system.

ARS 43-401: Withholding Tax

State withholding tax rates are inflexible. As a result of the Tax Reform Act of 1986, few employees are able to find a tax rate that deducts the correct amount from each of their checks.

This practice should be changes so that employees might select from a state tax deduction rate consistent with the amount of state tax they need to pay.

Board Policy Manual, Section 6-402: Classification Administration Policy

The Tri-University procedure for establishment or change in job classification or compensation inhibits the institution's ability to respond to its immediate needs. The current system generates needless and burdensome paperwork by requiring extra reports and approval systems.

It is recommended that the Board abolish the Tri-University approval system and permit each institution to respond to its own needs. The Board can audit the process twice each year to

ensure compatibility and uniformity among institutions.

Board Policy Manual, Section 6-804 (F):

Sick Leave

State law permits payment of $750 for 1,000 hours of unused accrued sick leave at retirement. Because the dollar and hour amounts are so low they act as a disincentive to employees, encouraging the use of sick leave rather than its accrual.

This law should be changed and a more innovative policy adopted. Examples of such policies include combined vacation/sick/personal leave (sometimes referred to as "paid time off"); converting unused sick leave to vacation time at a 2:1 ratio; use of sick leave in calculating service for retirement purposes; and early retirement based on unused sick leave.

Board of Medical Examiners Rules for Licensure

Rules for licensure in the State of Arizona are unnecessarily cumbersome and involve large delays in licensing medical practitioners who are faculty members at the College of Medicine.

It is recommended that the Board meet with the Dean of the College of Medicine, the President of the Arizona Medical Association and their designees to explore ways in which new legislation may be introduced to reduce unreasonable limits. Also, the Board of Medical Examiners should streamline their operations in order to process licensure applications in as rapid a fashion as is consistent with their mandate and the need for M.D.'s to achieve practice status.

BUILDINGS AND LAND

Board Policy Manual, Sections 7-101-109: Building Construction and Repair

The new five step process with two separate committees required to assess projects is in its first cycle of implementation. Although the full impact of the new process has not been assessed, it may result in lengthy delays and the untimely preparation of a burdensome amount of information which may impair efficient staff resource utilization on the campus.

An annual review of the capital construction approval process should be undertaken to assess how to balance the timely provision of appropriate information with reasonable campus staff effort.

Administrative Rules and Regulations for State Agencies, R2-10-201: Submission of Building Plans

This state rule requires agencies to submit plans for all construction, alteration, or repair of state buildings to State Risk Management for approval. This rule assumes that individual agencies have no loss control expertise. The universities have, to varying degrees, employees involved in addressing safety and fire code issues throughout the design and construction of new buildings. Design approval from State Risk Management personnel may be a complete duplication of this effort at some of the campuses. Since state officials are in Phoenix, it is impossible for them to be actively involved in the design process at each campus. Safety

and fire code design issues must be addressed on almost a daily basis.

State Risk Management should have the authority to delegate this responsibility to state agencies that have in-house expertise to address these concerns. This will allow the entire design and construction process to proceed more quickly and efficiently.

RESEARCH

The divergent points of view of the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB) which impact the financial statements of public and private institutions will lead to financial data comparison problems. If the pronouncements are enforced, reporting on a financial basis will be significantly different between public and private institutions of hither education. This may ultimately affect bonding capability as well as other areas.

Continued governmental revisions in the area of Office of Management and Budget Circular A-21 such as the arbitrary limit on departmental administration in the overhead pool and the anticipated revision of A-110 may place more stringent monitoring requirements on institutions than need be in place.

In addition, the federal acquisition regulation issued several years ago has resulted in several federal agencies producing their own interpretation of that document; for example, the Department of Energy and their "DEAR" and other individual agency versions.